



State of California—Health and Human Services Agency  
Department of Health Care Services



ARNOLD SCHWARZENEGGER  
*Governor*

August 27, 2007

TO: EXECUTIVE DIRECTORS AND FISCAL OFFICERS  
STATE INDIAN HEALTH CLINICS

SUBJECT: PROSPECTIVE PAYMENT SYSTEM (PPS)

This letter transmits instructions and forms for requesting payment from the Indian Health Program (IHP) for Fiscal Year (FY) 2007-2008. The PPS is authorized under Health and Safety Code Section 124586 and requires that the IHP provide biannual prospective payments to grantees, which are contingent upon submittal of a letter requesting payment along with specified budget and approved program reports.

In addition, the Health and Safety code requires that the Department of Health Care Services (DHCS) withhold at least ten percent of the annual grant pending submission of a letter requesting final payment, a budget reconciliation report, all reports required in the IHP grant, and satisfactory performance under the grant.

Following are instructions to complete the enclosed forms used for the PPS invoice process:

- **Sample “Payment Request Letter”:** Send this letter using clinic letterhead. It should be sent at the beginning of the FY upon full execution of the grant and passage of the state budget requesting up to 50% of the grant total, after January 1 requesting up to 40% of the grant total, and after completion of the FY requesting the remaining balance. Complete the “Grant Award Amount” and “Total Amount Requested” lines and check the appropriate billing timeframe. The letter must be signed by an individual currently authorized to bind the corporation.

- **Budget Expenditure Report:** Mail this form along with the “**Payment Request Letter**” after January 1 of the FY. It should also be completed and sent WITHOUT a “**Payment Request Letter**” May 1 of the FY. Complete the form using the information from the final approved budget in the IHP grant. (Note that the certification statement at the bottom of the form includes a reference to state approval of line item transfers).
- **Annual Reconciliation Form:** Mail this form along with the “**Payment Request Letter**” after the completion of the FY. Complete the form using the information from the final approved budget in the IHP grant. This form includes a column to document expenses in May and June of the FY as well as a column to “bill out” unspent funds from all line items spent during the entire FY.
- **Other Budget Related Requirements:** Please be aware that these instructions refer to the IHP invoicing process only. All other budget related items in the grant remain in effect.
- **Monthly Progress Reports:** Lastly, please note that in addition to the above referenced budget forms, all required IHP “**Monthly Progress Reports**” need to be submitted and approved in order for the payment request to be processed.

All forms are available on the IHP website at [www.dhs.ca.gov/ihp](http://www.dhs.ca.gov/ihp). Please feel free to contact the IHP staff at (916) 449-5760 if you have any questions regarding PPS.

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Enclosures